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DE RUEHLP #1215/01 1231309
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R 031309Z MAY 07
FM AMEMBASSY LA PAZ
TO RUEHC/SECSTATE WASHDC 3433
INFO RUEHAC/AMEMBASSY ASUNCION 6742
RUEHSW/AMEMBASSY BERN 0130
RUEHBO/AMEMBASSY BOGOTA 4072
RUEHBR/AMEMBASSY BRASILIA 7960
RUEHBU/AMEMBASSY BUENOS AIRES 5209
RUEHCV/AMEMBASSY CARACAS 2438
RUEHPE/AMEMBASSY LIMA 2565
RUEHMD/AMEMBASSY MADRID 3446
RUEHMN/AMEMBASSY MONTEVIDEO 4577
RUEHNE/AMEMBASSY NEW DELHI 0128
RUEHQT/AMEMBASSY QUITO 5078
RUEHSG/AMEMBASSY SANTIAGO 9664
RUEHKO/AMEMBASSY TOKYO 0297
RUEHUB/USINT HAVANA 0293
RHMFIUU/HQ USSOUTHCOM MIAMI FL
RUMIAAA/USCINCSO MIAMI FL
RUCPDO/DEPT OF COMMERCE WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHINGTON DC
RUEHC/DEPT OF LABOR WASHINGTON DC
RHEHNSC/NSC WASHINGTON DC

UNCLAS LA PAZ 001215

SIPDIS

SENSITIVE
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STATE FOR WHA/AND LPETRONI
COMMERCE FOR JANGLIN
TREASURY FOR SGOOCH

E.O. 12958: N/A

TAGS: [ECON](#) [ELAB](#) [ETRD](#) [EINV](#) [PGOV](#) [PREL](#) [BL](#)

SUBJECT: MAY DAY: CHANGES, BUT NO NEW NATIONALIZATIONS

REF: A. 06 LA PAZ 1157
[1](#)B. 06 LA PAZ 2943

SUMMARY

[1](#)1. (U) In May 1 announcements, President Morales declared Bolivia's national territory a "state mineral reserve" and awarded administrative control of mineral resources to Comibol, the state-owned mining company; introduced a 5 percent increase in the minimum wage; and officially launched Bolivia's state development bank. Contrary to popular expectations, Morales did not announce new nationalizations; instead, he focused on the achievements of last May's hydrocarbons nationalization (ref A) and struck a more conciliatory tone, calling for dialogue with foreign firms and recognizing Bolivia's need for foreign investment. End summary.

A NEW ROLE FOR COMIBOL

[1](#)2. (U) In a May 1 supreme decree, President Morales declared Bolivia's national territory a "state mineral reserve," reasserting the state's ownership of mineral resources and awarding Comibol, the state-owned mining company, "power and authority over the exploitation and administration" of all minerals. The decree prohibited the granting of new mining concessions but left untouched concessions previously awarded to private firms.

A NEW MINIMUM WAGE

¶3. (U) In another decree, the president announced a 5 percent increase in the national minimum wage, raising it to approximately \$65 per month, and directed private employers to boost employees' basic salaries by at least the same amount. The decree left employers and workers to negotiate acceptable increases. Confederation of Private Businessmen and Central Workers' Union representatives immediately rejected the government's move, with the former declaring it a purely "political measure" and the latter declaring it "insignificant."

THE STATE DEVELOPMENT BANK: OFFICIALLY LAUNCHED

¶4. (U) Also on May 1, President Morales launched Bolivia's state development bank, first announced in June 2006. The bank is officially a second-tier lending institution expected to channel loans through existing financial entities to small producers in the textile, wood, food, leather, and tourism industries beginning June 1. The loans will have 6 percent interest rates (well below market rates), be in amounts of up to \$10,000, and offer repayment periods of up to 12 years. The bank currently has \$60 million in capital from the GOB and the Andean Development Corporation.

NO NEW NATIONALIZATIONS

¶5. (U) Contrary to popular expectations, President Morales did not announce new telecommunications, mining, or hydrocarbons nationalizations; instead, he focused on the achievements of last May's hydrocarbons nationalization (ref A), noting that the move represented an additional \$1.3 billion in annual revenues for the state. (Note: According to our estimations, additional revenue in 2007 attributable to "nationalization" is minimal. End note.) The 44 new operating contracts signed with natural gas production companies in October 2006 officially entered into force May 2 (ref B). In his comments, Morales struck a more conciliatory tone, calling for dialogue with foreign firms in several sectors and recognizing Bolivia's need for foreign investment.

COMMENT: MUCH ADO ABOUT NOTHING

¶6. (SBU) Morales' announcements were less dramatic than many expected. The president backed away from rumored nationalizations to concentrate on GOB achievements and introduce relatively moderate new proposals likely designed to temporarily placate troublesome constituencies. Whether Morales will succeed remains to be seen, as miners and workers will likely demand greater responsiveness to calls for economic opportunities and higher wages. As it is, the May 1 decrees may have little concrete effect on either. End comment.

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